

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 MC-02 EB-11 OMB-01 TRSE-00 SPC-03 SS-20

L-03 PM-07 DODE-00 CIAE-00 INR-10 NSAE-00 RSC-01

AID-20 IGA-02 DRC-01 /094 W

----- 101318

R 271303Z DEC 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5770

INFO DISTENGR RIYADH

CHUSMTM DHAHRAN

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 5718

E.O. 11652: GDS

TAGS: MASS, SA

SUBJ: MINDEF COMPLAINT ON M-800 SERIES VEHICLE OFFER

REF: JIDDA 5157

SUMMARY: MINDEF SULTAN HAS WRITTEN AMBASSADOR, OUTLINING IN DETAIL HISTORY OF M-800 SERIES LETTERS OF OFFER PRESENTED TO SAG, AND STATING THAT UNLESS A WAY CAN BE FOUND TO HALD CONTINUALLY RISING VEHICLE PRICES, SAG WILL REGRETFULLY TURN TO OTHER SOURCES FOR VEHICLE PROCUREMENT. EMBASSY HAS SO FAR RECEIVED NO REPLY TO REQUEST REFTEL THAT DOD SEND PERSONS KNOWLEDGEABLE ABOUT LETTER OF OFFER COST ESTIMATING PROCESS TO BRIEF SULTAN AND OTHER SENIOR OFFICIALS. SINCE COST ROLLBACKS SEEM UNLIKELY ON CURRENT OFFERS UNDER CONSIDERATION, EMBASSY BELIEVES THAT ONLY COURSE REMAINING IS ATTEMPT TO GAIN INCREASED UNDERSTANDING FROM SULTAN AND MODA OFFICALS ON COST ESTIMATING PROCESS. EMBASSY REQUESTS TWO OR THREE MAN DOD TEAM VISIT SAUDI LATTER HALF JANUARY TO CONDUCT NECESSARY BRIEFINGS. END SUMMARY.

1. EMBASSY HAS RECEIVED LETTER OF COMPLAINT FROM MINDEF SULTAN ON M-800 SERIES COST ESTIMATES. SULTAN HAD WANTED TO WRITE TO SECRETARY SCHLESINGER, BUT AT COE URGING
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ADDRESSED LETTER TO AMBASSADOR AKINS INSTEAD. TEXT

FOLLOWS:

2. QUOTE: DEAR MR. AMBASSADOR:

AS YOUR EXCELLENCY MAY RECOGNIZE, THE MINISTRY OF DEFENSE AND AVIATION IN THE KINGDOM OF SAUDI ARABIA HAS FOR YEARS BEEN PROCURING MOST OF THE MILITARY VEHICLES REQUIRED FOR ITS VEHICULAR FLEET FROM U.S. SOURCES THROUGH THE U.S. ARMY. BUT IT HAS BEEN NOTICED OVER THE LAST FIVE YEARS THAT THE PRICES OF MOST TYPES OF THESE VEHICLES HAVE BEEN CONSTANTLY INCREASING IN A MANNER BEYOND REASONABLE LIMITS IF MEASURED AGAINST THE RELIABLE INTERNATIONAL PRICE INDICES. AS A MATTER OF FACT, IT IS NO LONGER SURPRISING TO RECEIVE A SALES CASE DRAFT WITH CERTAIN PRICES, AND JUST AFTER A FEW MONTHS WE RECEIVE ANOTHER ONE WITH THE SAME QUANTITY AND QUALITY, BUT WITH NEW PRICES EXCEEDING THE PREVIOUS ONES BY NO LESS THAN 30 PERCENT.

TO ACQUAINT YOUR EXCELLENCY WITH THE SUBJECT, I WOULD LIKE TO PRESENT OUR ATTEMPTS TO PURCHASE 5-TON TRUCKS AND WRECKERS, 800 SERIES, IN THE FOLLOWING CHRONOLOGICAL SEQUENCE:

1. WE PURCHASED ELEVEN M813 5-TON TRUCKS AND FIVE M816 5-TON WRECKERS IN ACCORDANCE WITH SALES CASE UGS WHICH WE SIGNED ON 21 JUNE 1972.

2. IN ACCORDANCE WITH THE ABOVE SALES CASE, THE PRICE OF THE TRUCK WAS \$16,288.00, AND THE PRICE OF THE WRECKER WAS \$30,680.00.

3. ON 6 NOVEMBER 1972 THE U.S. ARMY SUBMITTED TWO PROPOSALS FOR TWO SALES CASES OF 250 M813 5-TON TRUCKS WITH AN ESTIMATED PRICE OF \$20,840.00 FOR EACH VEHICLE (AN INCREASE OF 25.7 PERCENT OF THE PRICE MENTIONED IN PARA 2 ABOVE). CONSIDERING THE COMPARATIVELY SHORT SPAN OF TIME WHICH HAD ELAPSED SINCE THE PRICE IN PARA 2 ABOVE WAS QUOTED, WE DID NOT ACCEPT THIS PROPOSAL.

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4. MUCH CORRESPONDENCE WAS EXCHANGED BETWEEN US AND THE U.S. CORPS OF ENGINEERS ON U.S. ARMY PROPOSALS TO PROCURE REBUILT VEHICLES INSTEAD OF BRAND NEW ONES. HOWEVER, WE REGRETFULLY DID NOT ACCEPT THE IDEA OF PROCURING REBUILT VEHICLES PARTLY FOR REASONS INHERENT IN OUR PHYSICAL ENVIRONMENTAL CONDITIONS AND PARTLY FOR CERTAIN FACTORS RELATING TO MAINTENANCE AS WELL AS TO OUR EXPERIENCE WITH THIS TYPE OF VEHICLE.

5. IN MAY OF THIS YEAR, WE WERE INFORMED THAT THE U.S. CORPS OF ENGINEERS HAD RECEIVED INFORMATION FROM APPROPRIATE AGENCIES IN THE UNITED STATES STATING THAT DISCUSSION WAS TAKING PLACE TO EXPLORE THE POSSIBILITY OF PURCHASING 5-TON TRUCKS OF THE M800 SERIES TO MEET THE REQUIREMENT OF FRIENDLY COUNTRIES PROVIDED THAT THE SIZE OF THE ORDER FROM THESE COUNTRIES WOULD NOT BE LESS THAN 1500 VEHICLES. WE WERE ALSO INFORMED THAT THE U.S. ARMY WOULD NOT BUY THIS TYPE OF VEHICLE FOR ITS OWN USE BEFORE 1977.

6. IN JUNE OF THIS YEAR WE RECEIVED A LETTER NO. MDSVS-73-333 FROM THE U.S. CORPS OF ENGINEERS STATING THE UNIT PRICES OF THE M800 MILITARY VEHICLES WERE \$20,000.00 FOR THE M813 5-TON TRUCKS, AND \$35,000.00 FOR THE WRECKERS.

7. IN REPLY TO THE LETTER REFERENCED IN PARA 6, OUR APPROPRIATE AGENCY SENT TO THE U.S. CORPS OF ENGINEERS LETTER NO. 4901, DATED 17/7/93H (15 AUGUST 73) IN WHICH IT REQUESTED TWO SALES CASES TO BE PREPARED FOR 461 M813 5-TON TRUCKS AND 80 M816 5-TON WRECKERS BASED ON THE PRICES MENTIONED IN PARA 6 ABOVE.

8. IN OCTOBER THIS YEAR, WE RECEIVED AN OFFER BY SALES CASE UJQ IN THE SAME QUANTITY REQUESTED IN PARA 7 ABOVE, BUT WITH PRICES FAR EXCEEDING THOSE OFFERED BEFORE. IN THESE TWO OFFERS THE PRICE OF THE M813 TRUCK 5-TON WAS 27,018.00, AND THE PRICE OF THE M816 WRECKER 5-TON WAS \$53,026.00, WHICH MEANS 35.1 PERCENT INCREASE ON THE TRUCKS AND 51.5 PERCENT ON THE WRECKERS AS COMPARED WITH THE PRICES IN PARA 6 ABOVE.

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5771
INFO DISTENGR RIYADH
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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 5718

9. THE SALES CASE DRAFT MENTIONED IN PARA 8 ABOVE, INDICATED ALSO THAT THE CASE MUST BE SIGNED BY THE 30TH OF NOVEMBER 1973, OTHERWISE, THE U.S. ARMY WOULD HAVE THE RIGHT TO CANCEL IT WITHOUT BEARING ANY BLAME.

THEREFORE I HOPE, MR. AMBASSADOR, THAT YOU WILL PERSONALLY INTERCEDE TO OBTAIN A RECONSIDERATION OF THE PRICES OF THE 5-TON VEHICLES IN PARTICULAR.

I REGRET VERY MUCH TO INFORM YOUR EXCELLENCY THAT THE MORE I CONSIDER THE ABOVE DEVELOPMENTS THE MORE I FEEL THAT IT IS NECESSARY TO FIND OTHERS MEANS BY WHICH WE CAN AVOID THE UNREASONABLE INCREASES IN PRICES OF US MILITARY VEHICLES.

IT IS OUR DESIRE, YOUR EXCELLENCY, THAT OUR POSITION BE CLEARLY UNDERSTOOD. IF THE APPROPRIATE AMERICAN AGENCIES CAN NOT PUT AN END TO THE CONTINUING AND UNREASONABLE INCREASES IN THE PRICES OF VEHICLES, SUCH AS WE ARE NOW FACING, WE WILL REGRETFULLY BE OBLIGED TO LOOK FOR OTHER SOURCES FROM WHICH WE CAN PROCURE THE VEHICLES WE NEED IN THE MANNER THAT CONFORMS WITH OUR CAPABILITIES AND CIRCUMSTANCES.

I HOPE TO RECEIVE FROM YOUR EXCELLENCY AN APPROVAL OF THE CONTENTS OF THIS LETTER AND, CONSEQUENTLY, AN EXTENSION OF CONFIDENTIAL

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THE OPTION PERIOD UNTIL THE DISCUSSION OF THIS SUBJECT WILL HAVE BEEN COMPLETED.

WITH OUR COMPLIMENTS.

/S/ SULTAN BIN ABDUL-AZIZ
MINISTER OF DEFENSE AND AVIATION
AND INSPECTOR GENERAL END QUOTE

3. COMMENT: COE RIYADH HAS REVIEWED SULTAN LETTER AND FINDS HIS PRESENTATION OF EVENTS IN SALES CASE TO BE ACCURATE. EMBASSY UNDERSTANDS THAT LETTER OF OFFER EXTENSION REQUESTED LAST PARAGRAPH BY SULTAN HAS BEEN GRANTED UNTIL 31 JANUARY 1974. WE DO NOT, HOWEVER, HAVE ANY REPLY FROM WASHINGTON TO OUR REQUEST (REFTEL PARA FIVE) FOR A VISIT BY A KNOWLEDGEABLE OFFICIAL TO EXPLAIN TO SULTAN AND HIS STAFF THE ENTIRE PROCESS BY WHICH COST ESTIMATES ARE ARRIVED AT AND REVIEWED. WE

TAKE SULTAN VERY MUCH AT HIS WORD WHEN HE RAISES POSSIBILITY OF BUYING VEHICLES FROM ANOTHER SOURCE. HE HAS TAKEN GREAT CARE TO DOCUMENT HIS CASE AND TO INSURE THAT EMBASSY AND COE UNDERSTAND HIS POINT OF VIEW. WE BELIEVE WE WOULD BE REMISS IF WE DID NOT TAKE SULTAN'S DISSATISFACTION SERIOUSLY, AND TAKE STEPS TO ASSUAGE IT. THEREFORE, WHETHER OR NOT PRICE REDUCTIONS ON SALES CASE UJQ ARE POSSIBLE, EMBASSY BELIEVES VISIT BY TWO OR THREE-MAN TEAM TO BRIEF ON FMS SALES COST ESTIMATING PROCEDURES IS ESSENTIAL MEASURE IF WE ARE TO MAINTAIN OUR CREDIBILITY LOCALLY.

4. LOCAL RELIGIOUS HOLIDAY SEASON ENDS JANUARY 8. VISIT WOULD BE APPROPRIATE ANY TIME DURING LATTER HALF OF JANUARY. TEAM SHOULD VISIT JIDDA TO BRIEF EMBASSY, AND RIYADH FOR COE, USMTM, AND MODA. USMTM DHAHRAN MIGHT ALSO WISH OPPORTUNITY TO TALK WITH TEAM. ONE TO TWO WORKING DAYS (SATURDAY THRU WEDNESDAY) REQUIRED AT EACH LOCATION. COE WILL OUTLINE SPECIFIC POINTS WHICH TEAM WOULD ADDRESS; USMTM MAY ADD ADDITIONAL COMMENT.
AKINS

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